

Memorandum

To: Panel Members Date: June 26, 2003

From: Diana Torres, Manager Analyst: J. Davey
Peter DeMauro, General Counsel

Subject: One-Step Agreement for **Continental Data Graphics, a subsidiary of the Boeing Company**
(www.cdgnow.com)

CONTRACTOR:

- Training Project Profile: Retraining: companies with out-of-state competition
- Legislative Priorities: Moving to a High Performance Workplace
- Type of Industry: Manufacturing
- Repeat Contractor: Yes
- Contractor's Full Time Employees:
 - Company Wide: 1,100
 - In California: 975
- Fringe Benefits: Yes
- Union Representation: No
- Name and Local Number of Union representing workers to be Trained: N/A

CONTRACT:

- Program Costs: \$283,790
- Substantial Contribution: \$141,895 (50 percent)
- Total ETP Funding: \$141,895
- In-Kind Contribution: \$550,000
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Los Angeles, Orange, San Diego
- Duration of Agreement: 24 months

SUBCONTRACTORS:

- National Training Company (Irvine, California) - \$25,900 – administration

THIRD PARTY SERVICES:

National Training Company assisted with the Application, and helped prepare the Training Plan, Curriculum, Retraining Certification, and other agreement requirements. The amount reimbursed for these services is a flat fee of \$5,000.

PRIOR PROJECTS:

The following are completed project statistics for ETP Agreements with this Contractor within the last five years:

Agreement No.	Location (City)	Term	Agreement Amount	Amount Earned	% Earned
ET7-0295	*Multiple	03/10/97 - 03/09/99	\$661,520	\$488,680	74%
ET9-0971	*Multiple	02/09/99 - 02/08/01	\$290,948	\$150,534	52%
ET00-0247	*Multiple	03/01/00 – 02/28/02	\$420,992	\$263,624	63%
ET01-0303	*Multiple	05/14/01 – 05/13/03	\$780,800	\$61,060	8%

*Training for the previous four Agreements was conducted at multiple facilities: Culver City, Cypress, El Segundo, Los Angeles, Riverside, Santa Ana, and San Diego.

ET9-0971: After the initial training started, there were problems with Boeing's software, once the corrections were made and the software returned, the time remaining to complete training was inadequate.

ET00-0247: (Continental Graphics, a subsidiary of Continental Graphics Holdings). After the initial training started, there were problems with Boeing's software. Once the corrections were made and the software returned, the time remaining to complete training was inadequate. In addition, the senior management at Continental Graphics was replaced shortly after the Boeing purchase in September 2001.

ET01-0303: Continental Data Graphics states that training was adversely affected because of the downturn in the aerospace and aviation industries following the events of September 11, 2001. Once the closeout invoice is submitted and processed, the company states it expects to earn approximately \$318,800 (40%) and retain 365 trainees (57%).

Company representatives state that, subsequent to Boeing's purchase of CDG, there have been a number of changes in its software production process. These changes should rectify CDG's past software problems in prior ETP Agreements. CDG reports that Boeing has implemented higher software standards and documentation prior to its release of new software. Software that was returned for corrections during prior ETP Agreements would now fail current quality standards and will not be issued to CDG for implementation purposes. As a result, CDG states the current software products are of higher quality and have fewer problems. In addition, company representatives state that CDG has changed its business strategies to diversify and become less dependent on the aircraft industry. Therefore, according to CDG, the combination of improved software products, coupled with change in its business acumen, will result in improved performance for the proposed Agreement.

NARRATIVE:

Continental Data Graphics, a subsidiary of the Boeing Company (CDG), produces complex and highly detailed parts manuals, technical catalogs, booklets, document processing, technical authoring, application development and other data intensive products. Originally founded by John Mawson in 1931 as the Economy Blueprint and Supply Company, CDG specializes in information outsourcing services that transform vast amounts of data, spread across multiple data platforms, into accessible, usable information. CDG's customers include airline manufacturers and their clients, government agencies, and other large corporations. Training in this project will take place at CDG's facilities in Cypress, El Segundo, Irvine, Rancho Cucamonga, and San Diego. CDG currently employs 1,100 people worldwide, with 975 California employees.

Continental Data Graphics manufactures products that are sold out-of-state and is eligible for Panel funding under the out-of-state competition provisions outlined in Title 22, California Code of Regulations, Section 4416(b) for industrially classified manufacturers retraining current employees.

With the recent downturn in the aviation industry, CDG has been forced to change the way it does business. In the past, CDG was a supplier almost exclusively to Boeing, but after Boeing's purchase of CDG in September 2001, CDG had to change its production processes. Instead of providing products only to Boeing, CDG now provides products to Boeing's customers. For example, CDG now provides production support directly to UPS, one of Boeing's customers. This change in customer focus shifts work previously done by Boeing to CDG. Now CDG employees must communicate directly with many different customers, with different needs, instead of a single customer with uniform requirements. This change in customers has required CDG employees to improve their skills in several key areas: Business Skills, Computer Skills, Continuous Improvement, and Manufacturing Skills.

Business Skills Training - The new business model requires CDG employees to work directly with Boeing customers. This new role requires employees to learn new communication and customer service skills. They will learn how to work with end-users having differing objectives, make presentations, create Win-Win teams, and structure meetings that meet CDG's objectives. The improved skills will ensure better communication between team members and internal and external customers. Support staff, Technical staff, Managers, Supervisors, and Leads are identified for this training.

Computer Skills Training- As CDG has started working directly with Boeing customers, information, which in the past was distributed on paper, is now being transferred digitally. The new CDG software requires trainees to learn how to use new applications. Trainees will learn how to use DISCO, the Distribution Control software, and CDIS, the Continental DataGraphics Input System. The improved computer systems will reduce production costs and allow for better communication of technical information. Selected trainees will also receive training in Word processing, Spreadsheet, and Database software. Training on this new technology will be given to Production staff, Technical staff, Support Staff, Supervisors, and Leads.

Continuous Improvement Training - With increased and diversified customer contact, CDG must institute better processes and procedures to smoothly produce its products. It is expected that moving product development and support closer to the end-user will improve communication and reduce production delays. However, trainees need the skills to effectively work with a variety of customer requirements and to manage multiple priorities and projects. CDG will implement project management, client procedures, workflow, and other Continuous Improvement Skills. Trainees will learn how to develop and design meetings, improve production processes, and reduce overall production time. Employees who will receive training include Production Staff, Support Staff, Technical Staff, Managers, Supervisors, and Leads.

NARRATIVE: (continued)

Manufacturing Skills Training - The Company has determined that implementing new software systems will reduce manufacturing costs. Because CDG produces and sends data files to its customers, production software is integrated into the production process. The use of new electronic file transfers and digital information will reduce production costs. Employees will be cross-trained on new software systems in conjunction with workflow, production process, troubleshooting, and other manufacturing skills. Productivity will improve when the software is integrated into the existing production process. For example, trainees will learn how to use PDF Konverter Software, which converts drawings to TIF format for illustration production editing, greatly reducing inefficiency and production time. Communication with end-users will become more automated and integrated into the production process. The use of electronic file transfers and digital information will reduce production costs and increase efficiency. Trainees will include Production Staff, Technical Staff, Support Staff, Managers, Supervisors, and Leads.

Supplemental Nature of Training

The previous ETP Agreements helped CDG establish its training program. During the previous ETP Agreement and after the purchase by Boeing in September 2001, CDG tried to integrate its manufacturing, purchasing, warehousing and distribution processes with Boeing's. Further, as previously stated, the customer diversification created new challenges and supplemental need for training. However, it soon became evident that there were serious differences in the way Boeing and CDG communicated with each other: computer systems were incompatible and quality standards were different. In addition, after 9/11, management had to reestablish business goals. The airline and aerospace industries experienced a steep decline, forcing CDG to redirect training resources away from Continuous Improvement and more toward core production skills. The previous training program was to be company wide, encompassing as many employees as possible. In contrast, the training in this proposal will target and focus on fewer trainees, resulting in a better chance of success.

Computer Skills:

Past ETP and current CDG funded training includes basic Computer Skills, Computer Aided Design, Internet applications like "MYBOEINGFLEET.COM", PC NT applications, Team Problem Solving, Technical Writing, mainframe software applications, and Business Skills training at its own expense. CDG allocates in excess of \$290,000 for these training programs. The proposed training is different and would concentrate on different Computer Skills applications including: Distribution Ordering System, Illustrated Parts Catalog, Integrated Information Services, Distribution Control Software, Engineering Specifications and Drawings, Project Management software, Operating Procedures, Database Integrity, and Software Testing/Management.

Continuous Improvement:

The company currently provides Continuous Improvement training in Team Problem Solving (Kaizen). This training involves a team of five employees who identify process improvement and implement new work processes. The proposed training plan concentrates on Project Management, Client Procedures, Process and Standard Documentation, Flowcharting, Integrating Changes, Planning/control, Setting Priorities and Product Quality.

Manufacturing Skills:

CDG now conducts training in Technical Writing, Operating Procedures, Work Orders and Waste Management. The proposed Manufacturing Skills training will involve workflow and Process standardization along with Data Integrity Operating Procedures.

NARRATIVE: (continued)

Business Skills:

Currently the company offers Orientation, Safety, Product Overview, Negotiating, Communication and Finance training. The proposed training includes Customer Service, Operating Procedures, Goal Setting and Meeting Skills.

CDG representatives state that the company would not be able to provide the needed training as quickly or in as comprehensive a manner without assistance from ETP. Because training would be delayed, they report that business would be lost because employees would not have the required skills to meet production requirements. CDG states that the proposed training will be an integral component in its effort to become a quality-focused organization and to continue its commitment to continuous improvement in all aspects of the organization. According to CDG, the proposed ETP-funded training is supplemental to all company-sponsored training provided in the past. After the ETP project ends, CDG will provide advanced training in computer, teambuilding, and supervisory skills training to reach the company's goal of steadily increasing the scope of training for all of its employees.

In-Kind Contribution

Employee wages paid during training will be approximately \$510,000. CDG will invest more than \$40,000 in course development, computer resources, and trainer time. Total expenditures during training will be \$550,000.

COMMENTS:

Of the 295 proposed retrainees, 268 (91 percent) meet the definition of a frontline worker found at Title 22 CCR, Sections 4400(ee)(1) and (3). The remaining 27 (9 percent) of the training population are Managers or Supervisors.

Waiver for less than 40 hours of training

CDG states that although forty retrainees will receive less than forty hours of Class/lab and CBT training, the proposed number of training hours (24-200) will accomplish the company's goal to deliver new skills training to its frontline employees. Additionally, company representatives report that CDG will provide on-the-job skill reinforcement training following the delivery of the proposed ETP Curriculum to reinforce Class/lab training and ensure competencies in the skills trained.

Therefore, CDG requests a waiver of the 40 hour minimum training requirement defined in Title 22, CCR, Section 4400(y) to deliver its training plan of 24 to 200 hours of Class/lab and CBT training.

Senior Policy Managers/Executive Level - Managers

The proposed Contractor certifies that no senior policy manager or executive level employees have been included in this training project.

Substantial Contribution

Title 22, California Code of Regulations, Section 4410(a) states in part that “A substantial contribution of not less than 30 percent of the total Panel training and administrative costs, exclusive of in-kind contributions and/or any other special contributions required by Panel, shall be imposed on any employer for retraining at a facility which previously benefited, directly or indirectly, from Panel funding under at least two prior Panel agreements at the same facility in the amount of \$250,000 or more.” The substantial contribution is applied only if prior Agreements were within the last five years.

In addition, 4410(b) states, “a substantial contribution of not less than 50 percent shall be assessed on any subsequent agreements, beginning with the fourth agreement, for retraining at the same facility.”

A 30 percent substantial contribution was imposed on the previous (ET01-0303) Agreement. A substantial contribution of 50 percent has been applied to this Agreement because Continental Data Graphics has benefited from Panel funding under at least four prior Panel Agreements at the same facilities in the amount of \$250,000 or more.

The Contractor has agreed that during the ETP-funded training hours, trainees will not produce products or provide services, which will ultimately be sold.

PROPOSED ACTION:

Staff recommends that the Panel approve this Agreement and waiver request if funds are available and the project meets Panel priorities. Continental Data Graphics states that the proposed training will provide employees with the knowledge and skills necessary to remain competitive and respond to its customers' needs and move the company to a high performance workplace. The implementation of this proposal should enable the company to remain competitive and viable in the California economy.

TRAINING PLAN:

Grp/Trainee Type	Types of Training	No. Retain	No. Class/Lab Videocnf. Hrs	No. CBT Hrs	No. SOST Hrs.	Cost per Trainee	Hourly Wage after 90 days
Job 1 – Retrainee	Business Skills, Computer Skills, Continuous Improvement Skills, Manufacturing Skills	295	24 – 200**	0	0	\$962	*\$ 9.28 - \$28.94
					<u>Range of Hourly Wages</u>		
					*\$ 9.28 - \$28.94		
					<u>Prevalent Hourly Wage</u>		
					\$15.62		
					<u>Average Cost per Trainee</u>		
					\$962		
<u>Health Benefit used to meet ETP minimum wage:</u>					<u>Turnover Rate</u>	<u>% of Mgrs & Supervisors to be trained:</u>	
* Health benefits ranging from at least \$1.70 to \$1.90 per hour will be applied to the base wages in order to meet the ETP minimum hourly wage.					17%	9%	

** Only 55 retrainees are scheduled to receive 200 hours of Class/Lab training.

CURRICULUM

Class/Lab Hours	Trainees will receive any of the following:
Job Number 1	Business Skills <ul style="list-style-type: none">• Increasing Professional Effectiveness• Team Communication• Internal vs. External Customers• Internal Customer Care• External Customer Care• Internal Operating Techniques• Customer Requirements• Product Specifications• Goal Setting• Meeting Skills
24 – 200	Computer Skills <ul style="list-style-type: none">• Illustrated Parts Catalog (IPC)• Integrated Information Services (IIS)• Distribution Control Software (DISCO)• Continental Data Graphics Input System (CDIS)• Engineering Specifications• Engineering Drawings• Researching Problems• AUTOCAD Techniques• Smart Screen Manager (SSM)• Computerized Project Management• CDG Software Operating Procedures• Updating Software Applications• Database Integrity• Software Testing• Intermediate/Advanced Word Processing, Spreadsheet, Database Applications• Software Management Systems

Class/Lab Hours	Trainees will receive any of the following:
Job Number 1	Continuous Improvement Skills
24 – 200	<ul style="list-style-type: none"> • Project Management • Client Procedures • Systematic Teamwork • Process Documentation • Standard Documentation Tools • Flowcharting • Planning and Control • Integrating Change into the Workplace • Setting Priorities • Product Quality • Production Process • Workflow • Teamwork Alignment • Teamwork Performance Improvement
	Manufacturing Skills
	<ul style="list-style-type: none"> • Commercial Aircraft Technical Specifications • Aircraft Provisioning • Secondary Customers • Scanning Software • Scanning Operating Procedures • Effectivity • Software Policies • PDF (Post-Script Data Format) Konverter • Production Documentation • Aircraft Product Types • Troubleshooting Production Problems • Daily Software Procedures • Production Processes • Process Standardization • Software Verification • Software Validation • Data Integrity Operating Procedures